

MEMORANDUM

TO: David K. Hardy
Charles R. Wall
Steven C. Parrish

FROM: Frederick Beihl

DATE: October 23, 1985

RE: Subscription to Additional Capital of LS, Inc.

At the last Board meeting, there was a discussion of the necessity for additional funds for LS, Inc. and the best way of obtaining those funds. As Dr. Giller explained, funds are needed for the purchase of capital assets, primarily computer related, as well as to meet cash flow problems arising from increased operating expenses. Various alternatives were suggested:

1. The Shareholders could increase their guaranties of the line of credit currently established, permitting an increase in the line. One of the Shareholders was reported to be against this.

2. Exploration was made of the possibility that some computer equipment might be leased, rather than purchased, so as to eliminate the need for up-front capital funds. Dr. Giller stated he had investigated this, but that leasing companies did not want to lease to LS, Inc. because of its thin balance sheet and lack of substantial operating profit.

3. It was suggested that perhaps the Shareholders could loan money to the Corporation, but there did not seem to be any advantage to this.

After extensive discussion, it was concluded that the best approach would be for the Shareholders to purchase additional stock, with the proportionate ownership of stock remaining constant. If agreeable to the Shareholders, each would execute the Agreement which has been prepared and return it with its check for \$100,000.00 payable to LS, Inc.

Please let me know if there are any questions or observations.

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